

Ford Fund to Cut Grants, Especially to Universities

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Foundation Is Seeking to Bring Gifts in Line With Its Income

By FRED M. HECHINGER

The Ford Foundation said yesterday that it plans to cut its spending.

Colleges and universities, which have been getting a substantial share of the foundation's grants will be hardest hit by the cuts. The economics are designed to bring the foundation's spending more nearly in line with the income from its investments.

At the same time, McGeorge Bundy, president of the foundation, severely criticized "the American rich—old and new" for their "relatively slow and feeble giving" to education and chided the universities themselves for failing to bring in their own money because of timid and inexperienced investing of their endowments.

In his first annual report since he assumed the presidency of the nation's largest foundation, with assets of \$2.4-billion,



The New York Times
McGeorge Bundy, the president of Ford Foundation.

Mr. Bundy gave notice of sweeping changes in goals and attitudes in foundation grants.

Asserting that the foundation had been spending an average of \$300-million a year for

twice its yearly income—he said the trustees had decided to "stay in business" by spending "somewhat less in the immediate future."

He did not say how much the foundation's grants would be reduced, but added that it would continue to spend some what beyond its income.

Mr. Bundy called for a nationwide review and analysis of the effectiveness with which university trustees invest their institutions' endowments.

Noting that higher education had only four major sources of future support—tuition, Federal funds, private gifts and improved management of endowment funds—Mr. Bundy reserved his most direct criticism for the universities' own financial practices.

"We recognize the risk of unconventional investing," he said, "but the true test of performance in the handling of money is the record of achievement, not the opinion of the respectable."

He added that he suspected that "caution has cost our colleges and universities much more than imprudence or excessive risk-taking." Improvement by merely one per cent in the annual return on private higher education's total endowment of \$2-billion would add \$120-million to the institution's income, he said.

Urges More Private Gifts

Mr. Bundy said that private contributions to higher education—which are now three-and-a-half times what they were 15 years ago—should be five times what they are now.

"Where are the modern Andrew Carnegies—the men who will do more than all their friends expect?" he asked.

He urged an increase of Federal support, beyond the present \$4-billion a year, and charged that higher education has been "a shade slow" in creating public understanding of this need.

Mr. Bundy charged that American businesses, professions and government give little encouragement to the initiative of the young, and warned against "the growing menace" of cautious men who are unwilling "to annoy" their organizations by proposing change and of organizations "too easily annoyed."

He sharply criticized the growing "public blandness" and pledged the foundation's "stand against this kind of thing."

Without directly alluding to frequent past criticisms of the

foundation's alleged aversion to controversy, Mr. Bundy said:

"Nevertheless, the first lesson I have learned in this year is that we have no warrant to be mute when there comes a time to speak—a time to put our mouth where our money is. We intend to be very careful and responsible in what we say, but we find no virtue in a vow of silence."

Criticism Called Beneficial

Mr. Bundy's 10-page policy statement entitled "Public Issues, Philanthropic Foundations, and Straight Talk," dealt with issues ranging from educational television to international peace. He insisted that "to be exposed to analysis and criticism" is good for all public institutions, from commercial television to the foundations themselves.

"The best-run outfits, on the whole, are the ones which are most open," he said.

But while he promised support to the unorthodox, he added that "merely to be peculiar is not sufficient ground for successful application" for funds.

The noncontroversial support of "research in rice" remains important, he said, and "it would be as foolish to abandon such solid work because it is safe as it would be timid to limit ourselves to such work exclusively."

While the foundation does not confuse itself with the Federal Government or with the United Nations, he said, "where we see a chance to do more for peace, we will."

But the major thrust of the policy statement dealt with the economic crisis of higher education. He expressed concern that academic presidents and deans, if hard-pressed for funds, will neglect innovation and reform.

"The great academic leaders have always had entrepreneurial energy, and the president's seat for a man of purely philosophical temper," he said.

"Yet, the president as promoter is only a part of what an institution needs," he added. He charged that men with "high intellectual command of the old and new issues of academic life" are rare, partly because "the best of them will reject the hard life of high-energy salesmanship which a college presidency bids fair to become."

Solution Not in Giving

But he warned that "there is no solution to the problems of the private colleges and universities in simply giving away the Ford Foundation." Recalling his own days as dean at Harvard University, before he became a special adviser to

leaders feel they need the foundation's capital "more than we do." But he added, higher education could easily absorb three times the Ford Foundation's endowment.

"I joke in order not to cry," he added.

But he nevertheless indicated that the recent \$35-million grant to Columbia University

the latest in a six-year series of special grants to colleges and universities totaling \$325-million, may have signaled the start of a reduction of this type of support.

He pointed to "a special obligation" to help put the urban universities "at the forefront of intelligent concern for the interlocking problems of the city and the Negro."

"The past record of our universities in these fields is not outstanding," he said.

While citing California as an example of public support of higher education, Mr. Bundy, in an oblique reference to Governor Ronald Reagan's conflict with the University of California and the activities of some leftwing student groups, said "it is hardly thinkable that the excesses or vindictiveness of a few at either extreme should be allowed to any lasting damage to the magnificent partnership between the people of California and their great university."

In the review of the foundation's fiscal year, which ended last Sept. 30, the report indicated that grants totaling \$307.7-million were made, compared with an income of \$157.4-million. The year's activities brought the total "invasion of capital" since the establishment of the foundation in 1936 to \$1-billion. Program payments in the same period have amounted to \$2.5-billion.

It is not unusual for foundations to spend more than their income, especially in a time of rising stock market values. In such a period, even if the spending exceeds the return on the investment, the foundations' total assets, according to the market value of their investment endowment, tends to increase.

This has been the case with the Ford Foundation's endowment.

However, Mr. Bundy's call for a review of investment policies takes account of the fact that institutional investors, such as boards of trustees, are said to err frequently on the side of excessive caution, thereby reducing the potential growth of their institution's total capital. He conceded the foundation itself might be liable to criticism on these grounds.

The categories of common stocks in which the foundation indicated the highest amounts of investments were oil and gas, utilities, chemicals and consumer goods.